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SUBJECT: VENEZUELA: CADIVI RULES CHANGE FOR TRAVELERS

REF: CARACAS 3

¶1. (SBU) Summary: Venezuela's foreign currency board, known by its Spanish acronym CADIVI, is changing the rules by which travelers can access foreign exchange at the official rate when using local credit cards abroad. The new regulation has not yet been published, but CADIVI's president has said it will include a requirement for travelers to register each trip with CADIVI and a sliding scale according to which the amount of foreign exchange CADIVI would authorize for a given trip would vary according to duration and destination. The requirement for registering is already in effect. CADIVI authorizations for foreign travel have declined in 2009 versus 2008, probably largely as a result of a reduction in the overall limit authorized per traveler per year. Many local analysts expect a further decline in CADIVI authorizations for foreign travel in 2010. This outcome makes sense from a political perspective, as these authorizations are essentially a subsidy to Venezuelans traveling abroad. End summary.

From an Annual "Cupo"...

¶2. (U) The Government of the Bolivarian Republic of Venezuela (GBRV) has administered foreign currency controls since 2003 through a commission known by its Spanish acronym CADIVI. One set of CADIVI regulations governs how Venezuelans can access foreign exchange at the official exchange rate for travel and/or purchases abroad. (Note: The official exchange rate is 2.15 bolivars (Bs)/USD. The current parallel exchange rate is 5.4 Bs/USD. It is thus to a traveler's great advantage to obtain dollars from CADIVI rather than the parallel market. End note.) According to existing regulations, a traveler is entitled to spend up to USD 2,500 per year (known in Spanish as the "cupo") on one local credit card while traveling abroad. The local bank that issued the credit card may request reimbursement from CADIVI at the official rate up to that limit. Each Venezuelan may also spend up to USD 400 per year on Internet purchases using a local credit card and may purchase up to USD 500 per year in cash before traveling, both at the official exchange rate.

¶3. (SBU) The GBRV's policy of effectively subsidizing foreign travel has the perverse effect (from its perspective) of encouraging travel to the U.S. and demand for U.S. visas.

Travelers must wait several months to obtain appointments at the Embassy for tourist and business visas because of heavy demand, but this wait has not deterred tens of thousands of first-time applicants.

...To Authorization By Destination and Duration

¶4. (U) According to CADIVI president Manuel Barroso, CADIVI will issue a new regulation in the next several weeks governing how travelers may access foreign exchange at the official exchange rate. Per Barroso, travelers will have to register each trip with CADIVI and will be authorized an amount for each trip depending on the duration and destination of the trip. Barroso said in a press interview that the online registration system will be available starting December 7 for travel beginning on or after January 1, ¶2010. In the interim, CADIVI introduced on November 9 a registration system for travel in December 2009. Barroso has not revealed the scale that CADIVI will use to determine the amount authorized for a given trip. He has hinted that an amount greater than USD 2,500 could be authorized for long trips to far-flung destinations. He has also stated that parents may purchase additional cash in advance if they have children traveling with them.

Comment: Why the Change?

¶5. (SBU) There are several possible explanations for the expected changes. Barroso has hinted that one reason is to ensure that the hard currency allocated for foreign travel is used appropriately. In past years, there have been considerable reports of fraud associated with credit card use. A previous CADIVI regulation lowering the "cupo" amount also included several provisions designed to reduce fraud (reftel), and CADIVI has taken action against individuals suspected of fraud. By requiring travelers to state the destination and duration of their trips and authorizing a given amount per trip, CADIVI may conceivably further reduce the incentives for fraud.

¶6. (SBU) Many local analysts suspect, however, that the primary motive behind the changes is to reduce the total amount of foreign exchange CADIVI authorizes for travelers. In 2008, CADIVI authorized USD 4.8 billion for credit card use (including travel and Internet purchases), or 10.3 percent of total CADIVI authorizations. In 2009, credit card authorizations through September were USD 2.5 billion, or 12.3 percent of total CADIVI authorizations, on pace to end 2009 at approximately USD 3.3 billion. (Note: The expected drop from 2008 to 2009 probably largely reflects the reduction in the cupo and associated anti-fraud measures [reftel], as well as greater delays in CADIVI's authorizing what banks have requested based on their customers' credit card use. End note.) Many analysts think CADIVI will authorize less for foreign travel in 2010 than in 2009, either because the additional bureaucratic procedures prove too onerous (perhaps partly by design) or because CADIVI authorizes less per traveler. This outcome makes sense from a political perspective, as CADIVI is currently essentially subsidizing foreign travel for Venezuelans who are generally of the middle and upper class and therefore less likely to support President Chavez. The new system also will allow the government to collect information on the travel patterns of Venezuelan travelers who seek to access CADIVI dollars. End comment.
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